

Measurement & Evaluation

How Nonprofits Can Drive Healthy Growth Using SROI

Social return on investment is an underutilized yet surprisingly flexible tool for making strong resource allocation decisions that maximize nonprofit impact.

By [Matthew Forti & Jake Calhoun](#) | Jul. 20, 2017

In the Global North, we're in the midst of summer, and for many, it's the season for barbecues and rediscovering our love of the outdoors.

But if you traveled several thousand miles south to rural Kenya, you'd find a much different annual ritual playing out. In villages across the country, it's the hunger season, a time of year when most of the food from last season's crop has run out. There, farming families are making gut-wrenching decisions about how to allocate their scarce resources—food and money—to survive until their next harvest arrives.

[One Acre Fund](https://www.oneacrefund.org/) (<https://www.oneacrefund.org/>)'s mission is to work with smallholders to eliminate the hunger season and create new rituals of plenty, where farmers harvest more than enough food to last throughout the year. Our ultimate goal is to make smallholders more prosperous, and as such, we have an enormous responsibility to ensure that our resources—both staff and funding—are allocated to programs that maximize social good for our clients.

Social return on investment

Determining how to allocate resources is a monumental challenge, especially because data-driven decision-making remains elusive for many nonprofits. One Acre Fund has tackled this challenge by calculating a metric, across all our programs, called [social return on investment](https://ssir.org/articles/entry/measuring_social_return_on_investment_before_you_invest) (https://ssir.org/articles/entry/measuring_social_return_on_investment_before_you_invest) (SROI), which is the total impact we generate

divided by the net cost required to create that impact. For instance, we're seeking to generate at least \$4 in incremental profit for farmers for every \$1 we spend on our core program. However, organizations can also use SROI to calculate impact when it is best expressed in non-financial terms, whether disability-adjusted life years in health or improved test scores in education.

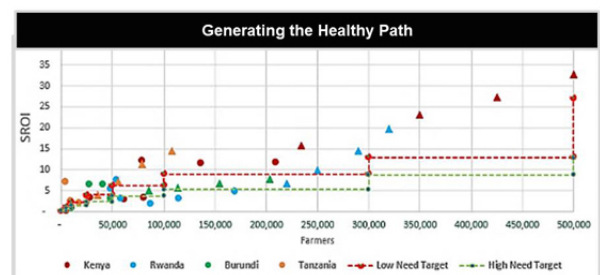
SROI has proved a valuable metric, among others such as scalability and risk, for making investment decisions. Now, 18 months after first using SROI, we have innovated two adaptations we believe increase its versatility. Our hope is that other nonprofits and funders will find these innovations useful in employing SROI to guide their own decisions.

Innovation 1: Using program data to determine a "healthy growth path"

As we began calculating SROI across our diverse portfolio, it did not feel appropriate to compare programs at different maturity and scale levels. For example, our program in Kenya is in its eleventh year and has more than 200,000 farmers enrolled, while our Uganda program launched just last year with 3,600 farmers. With many more years to improve cost efficiency and launch new products, our Kenya program has an SROI advantage over our Uganda program.

To solve this problem, we developed the concept of a "healthy growth path," which establishes SROI thresholds at different scale levels. This allows us to measure how countries are performing relative to their program maturity. In the simplest sense, programs with SROI measurements above the healthy growth path represent prime opportunities for exploring faster growth, while programs that fall below may be better served by improving impact efficiency.

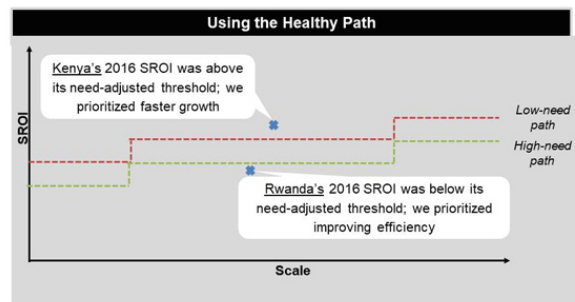
For instance, our Kenya program has repeatedly generated SROIs above its healthy growth path. As such, we're challenging this program to grow even faster by inserting additional field staff in existing territories, more aggressively entering new districts, and more. Another example is our program in Rwanda. When we saw it had fallen below its healthy growth path, we encouraged leaders to focus on efficiency before additional growth, and our team responded by identifying nearly two-dozen cost-



This chart maps health growth paths (dashed lines) by pairing SROI values to incremental scale milestones, using historical SROI figures (circles) and projected estimates (triangles). The two healthy paths reflect differing need-levels in our clients.

saving initiatives that collectively reduced cost per farmer (thereby increasing SROI) by more than 20 percent.

For any nonprofit with multiple programs and geographies, the healthy growth path can be a powerful tool to level the playing field and inform tough strategic decisions. We also believe funders can use the healthy path to compare performance of grantees at different scale or maturity points, informing investment decisions and facilitating conversations around the merits of growth versus efficiency.



This chart shows how One Acre Fund uses the healthy path for resource allocation decisions, prioritizing growth when a country's SROI is above its healthy path and prioritizing efficiency when a country's SROI is below.

Innovation 2: Factoring in "needs adjustment"

The healthy growth path enables fairer comparisons of programs operating at different scales. But a second factor—client "need level"—is equally important to consider. At One Acre Fund, although all farmers we serve are poor, the reality is that adding \$1 in incremental profit for a Burundian farmer earning just \$200 a year from agriculture might be more impactful than \$1 for a Tanzanian farmer earning \$450 a year.

Because of this difference, we've decided to hold ourselves to a higher SROI standard in regions with relatively less need. Conversely, we accept lower SROI values in higher-need areas where each incremental dollar generated is more valuable. As shown in the chart above, we have therefore split our healthy growth path metric in two, and then assigned individual countries to one of these paths based on average, pre-One Acre Fund agricultural incomes.

For instance, our organization is proud to be working in Burundi, one of the hungriest countries on the planet. Burundi is a difficult operating environment with isolated, mountainous terrain. Farmers grow crops on plots of land about 50 percent smaller on average than in our other operating countries. In recent years, we've been achieving about \$100 of impact per farmer in Burundi at a net cost of \$25. This SROI is on par with several other countries where we work; however, when we factor in need level, Burundi's SROI looks much stronger. Because of this, we recently made the decision to enter four new districts in the country and collectively anticipate reaching at least 80,000 farm families by

year-end.

Even with a clear target population in mind, nonprofits often reach clients of varying need levels. Segmenting populations and then adjusting SROI expectations accordingly can be an important second way to level the playing field as nonprofits allocate resources to their programs.

Measurement matters

It's easy to fall into the trap of assuming SROI is a **measurement** (https://ssir.org/articles/category/measurement_evaluation) exercise best left to evaluation and finance teams. Our experience is quite the opposite; it is a powerful tool for top organizational leaders and boards to make the toughest resource allocation decisions. SROI is best viewed as part of the pact a nonprofit makes—with its staff, its funders, and most importantly its clients—to generate the most social good for every dollar it deploys. At One Acre Fund, it's ultimately about making the hunger season a distant memory for more farm families every year.



Matthew Forti is managing director of **One Acre Fund USA (@OneAcreFund)**, where he leads the organization's work outside of Africa and helps oversee its measurement and evaluation function. Forti is also advisor to the performance measurement capability area at the **Bridgespan Group (@BridgespanGroup)**, an advisory firm to mission-driven leaders and organizations.



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